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MULTIPLE PATENT LITIGATION—KEROTEST MFG. CO. v. C-O-TWO CO.

By PAUL AMES PETERSON†

A frequently recurring problem in the field of patent litigation arises when a patentee and an alleged infringing manufacturer are carrying on simultaneous litigation, involving the same patent rights, in different federal district courts.

Assume that P is the owner of a patent on a home permanent wave kit. M is manufacturing and distributing another home permanent wave kit which P claims infringes on P's patent. What are P's rights to sue either M or M's distributees for infringement, and in what forums can such actions be brought? What are M's rights to obtain a declaratory judgment, and in what forums can M bring his action? What happens when P sues M or a distributee of M for infringement, while at the same time M is suing P in another forum for a declaration of rights concerning the same basic patent rights? Under what circumstances can either P or M enjoin the prosecution of the other party's action or have the other party's action stayed, dismissed, or transferred (under section 1404(a) of the Judicial Code)?

It is the purpose of this article to discuss the various aspects of this multiple patent litigation problem, laying particular stress on the implications of and developments since the United States Supreme Court decision in *Kerotest Mfg. Co. v. C-O-Two Co.*¹

Jurisdiction and Venue

The Judicial Code² provides that federal district courts have original and exclusive jurisdiction of actions arising under any act of Congress relating to patents. The law is clear that a patentee or his successors in title may sue an alleged infringing manufacturer for infringement,³ or seek declaratory relief.⁴ He may also bring an action against customers or distributors of the infringing manufacturer.⁵ On the other hand, the infring-

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¹ 342 U.S. 180 (1952). See text at note 36 and following, *infra*.

² 28 U.S.C. § 1338(a) (1952).

³ 66 STAT. 812, 797 (1952), 35 U.S.C. §§ 281 100(d) (Supp. 1954). See Riesenfeld, *The New American Patent Act in the Light of Comparative Law: Part II*, 102 U. PA. L. REV. 723, 753-755 (1954).

⁴ 28 U.S.C. § 2201 (1952). See, e.g., *Crosley Corporation v. Westinghouse Electric & Mfg. Co.*, 130 F.2d 474 (3d Cir. 1942), *cert. denied*, 317 U.S. 681 (1942).

⁵ 66 STAT. 811 (1952), 35 U.S.C. § 271 (Supp. 1954). See, e.g., *Kerotest Mfg. Co. v. C-O-Two Co.*, 342 U.S. 180 (1952).

ing manufacturer has the right to bring a declaratory action to establish his rights *vis a vis* the patentee.⁶

It is therefore not surprising that situations arise where the patentee is prosecuting one action in one district against the infringing manufacturer or manufacturer's customer, and the manufacturer is simultaneously seeking declaratory relief against the patentee in another district.

The particular evils involved are the danger of inconsistent holdings involving the same patent rights, as well as the inconvenience and expense to the parties in being forced to participate in two proceedings or in having to defend an action in an inconvenient or hostile forum.⁷

What are the venue rules in patent litigation? The patentee has the option⁸ of suing the manufacturer for infringement where the manufacturer "resides"⁹ or where the manufacturer has committed acts of infringement and has a regular and established place of business.¹⁰ So if the manufacturer "resides" in the Western District of Michigan, and has committed acts of infringement in the Northern District of Illinois and the Southern District of New York, and the manufacturer has a regular and established place of business in the two latter districts, the patentee may bring suit in any of those places, provided the service of process requirements are met.¹¹ Presumably if the patentee chooses to seek declaratory relief, the general "federal question" venue requirements of section 1391(b) of the Judicial Code¹² would control, so that suit could only be brought in the district

⁶ 28 U.S.C. § 2201 (1952). BORCHARD, DECLARATORY JUDGMENTS 808-810 (2d ed. 1941). See, e.g., *Remington Products Corp. v. American Aerovap, Inc.*, 192 F.2d 872 (2d Cir. 1951). See Notes, *Justifiable Controversy under the Federal Declaratory Judgment Act and the Exercise of Patent Rights*, 22 GEO. WASH. L. REV. 63 (1953); *Use of Declaratory Judgments in Patent Cases*, 45 YALE L.J. 160 (1955).

⁷ See *Kerotest Mfg. Co. v. C-O-Two Co.*, 342 U.S. 180, 184-185 (1952).

⁸ 28 U.S.C. § 1400(b) (1952). *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942) held that present section 1400 is the exclusive provision controlling venue in patent infringement cases.

⁹ The term used prior to the 1948 revision of the Judicial Code was "inhabitant," which was construed to mean place of incorporation. There is a controversy raging at the present time as to whether the term "resides" as used in section 1400(b) is defined by section 1391(c), the general venue statute, which is set forth in the text following note 12, *infra*. The better view seems to be that "resides" should be defined by section 1391(c), in spite of a cryptic Commissioner's Note to the contrary. 3 MOORE, FEDERAL PRACTICE 2139-2140 (2d ed. 1948); Note, 47 NW. U.L. REV. 699 (1952). See also, Seidel, *Venue in Patent Litigation*, 22 GEO. WASH. L. REV. 682 (1954), and notes, 21 GEO. WASH. L. REV. 610 (1953) and 50 MICH. L. REV. 156 (1951). For venue as to unincorporated associations, see *Sperry Products v. Ass'n of American Railroads*, 132 F.2d 408 (2d Cir. 1942), *cert. denied*, 319 U.S. 744 (1943); Annot., 149 A.L.R. 700 (1942); Comment, 44 CALIF. L. REV. (1956).

¹⁰ The last clause is conjunctive—a concurrence of acts of infringement and a regular place of business are required to meet the second possibility of venue.

¹¹ 28 U.S.C. § 1694 (1952); FED. R. CIV. P. 4. See note 12, *infra*.

¹² 28 U.S.C. § 1391(b) (1952): A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.

where the defendant or all the defendants resided.¹³ In a case involving a corporate defendant, in an action controlled by section 1391(b), section 1391(c) provides that "a corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."

If the infringing manufacturer wishes to bring a declaratory proceeding, venue is apparently determined by sections 1391(b) and 1391(c), discussed above.

Forum Shopping

There may be cogent reasons why the patentee or the infringing manufacturer wishes to lay venue in a particular district. The patentee may be aware of the fact that certain circuits are more favorable to the upholding of patents than others. For example, the Court of Appeals for the Fifth Circuit upheld the validity of patents in 77 percent of its opinions between 1945 and 1949.¹⁴ Consequently the patentee may believe he has a better chance in the Fifth Circuit. Moreover, he may find it desirable to choose one forum over another for reasons of convenience to himself or inconvenience to his opponent; or he may desire to avoid a conflict between himself and the manufacturer and bring an action solely against the customer or distributor. A successful suit against the distributor or distributors may be as effective as winning a suit against the manufacturer, yet the effect of a holding adverse to the patentee in such a case is not determinative of the

¹³ *American Chemical Paint Co. v. Dow Chemical Co.*, 161 F.2d 956 (6th Cir. 1947), noted 36 GEO. L.J. 108 (1947); *Crosley Corporation v. Westinghouse Electric & Mfg. Co.*, 130 F.2d 474, 476 (3d Cir. 1942), *cert. denied*, 317 U.S. 681 (1942). *Cf. Carbide & Carbon Chemicals Corp. v. United States Industrial Chemicals*, 140 F.2d 47, 50 (4th Cir. 1944).

Whether or not *Nierbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165 (1939), a diversity case holding that appointment of an agent by a corporation for service of process under state law constitutes a waiver of venue, applies to federal question litigation has not been settled by the Supreme Court. *American Chemical Paint Co. v. Dow Chemical Co.*, 161 F.2d 956 (6th Cir. 1947) held that it did not. See Note, 36 GEO. L.J. 109 (1947). *Contra: Roger v. A. H. Bull & Co.*, 170 F.2d 664 (2d Cir. 1948) (involving a suit under the Fair Labor Standards Act), noted 2 VAND. L. REV. 481 (1949). *Cf. Olberding v. Illinois Central R.R. Co.*, 346 U.S. 338 (1953), noted 68 HARV. L. REV. 179 (1954), and 52 MICH. L. REV. 918 (1954).

¹⁴ Lang and Thomas, *Disposition of Patent Cases by Courts During the Period 1939 to 1949*, 32 J. PAT. OFF. SOC. 803, 806 (1950). The figures cited in the text are less significant when it is noted that the Fifth Circuit ranks 8th in the number of patent opinions rendered. Figures for the other circuits, as to percent of cases in which the patent in issue was either held valid and infringed, valid and not infringed or merely valid, are as follows: 1st Circuit, 39%; 2d Circuit, 7%; 3d Circuit, 17%; 4th Circuit, 25%; 5th Circuit, 77%; 6th Circuit, 27%; 7th Circuit, 17%; 8th Circuit, 6%; 9th Circuit, 43%; 10th Circuit, 14%. The comparable figures for the aggregate of the district courts was 37%; for the Supreme Court, 30%; and for the Court of Claims, 25%.

rights as between the patentee and the manufacturer or any other customers not a party to the suit.¹⁵

Conversely, the manufacturer may wish to choose the forum himself. He may consider the fact that during the same 1945–1949 period discussed above, the Court of Appeals for the Second Circuit upheld the validity of patents in only 7 percent of its cases.¹⁶ Therefore he may wish to assert his declaratory action in that circuit, if possible. There may be factors of convenience to himself or inconvenience to the patentee that are important. It may be vital to obtain a speedy final adjudication as to the patent right involved in order to prevent undue harassment of his customers by the patentee.¹⁷ A final judgment in favor of the manufacturer may be set up as a defense by the customer in a suit brought against such customer by the patentee.¹⁸

It is therefore to be expected that there will be a certain amount of forum shopping in the patent cases. The typical situation involves either the patentee suing the infringer in one district, with the infringer in turn bringing a declaratory action against the patentee in another district;¹⁹ or the infringer suing first, with the patentee bringing a later suit in another district either against the manufacturer or against a customer, or against both.²⁰ The situation is further complicated if the patentee first brings suit against a customer, followed by an action by the manufacturer against the patentee in another district, which is in turn followed by an attempt on the part of the patentee to either join the manufacturer in the action against

¹⁵ See *Triplett v. Lowell*, 297 U.S. 638 (1936). However, a decision holding a patent invalid is entitled to consideration as a matter of comity. *Williams v. Hughes Tool Co.*, 186 F.2d 278, 281 (10th Cir. 1950), *cert. denied*, 341 U.S. 903 (1951). See 3 WALKER, PATENTS 1987–1993 (Dellers ed. 1937) (Cum. Supp. 1952).

¹⁶ See note 14 *supra*.

¹⁷ *Kessler v. Eldred*, 206 U.S. 285 (1907) held that a manufacturer successful in a suit against the patentee could enjoin suits brought by the patentee against customers of the manufacturer. In *Bechik Products v. Flexible Products*, 225 F.2d 603 (2d Cir. 1955), the patentee brought suit against the manufacturer and one customer. The manufacturer counterclaimed and obtained an injunction against the patentee's prosecution of other suits against customers, conditioned on the manufacturer's furnishing a bond to indemnify the patentee for any possible loss arising from his inability to bring suit against other customers. The same result was reached in *Urbain v. Knapp Brothers Manufacturing Co.*, 217 F.2d 810 (6th Cir. 1954), *cert. denied*, 349 U.S. 930 (1955), without the necessity of posting security. See text at notes 32 and 75 *infra*.

¹⁸ *Kerotest Mfg. Co. v. C-O-Two Co.*, 342 U.S. 180, 185–186 (1952) (dictum relying on *Kessler v. Eldred*, 206 U.S. 285 (1907)). For a discussion of the effect of judgments against the manufacturer, see *Warner Sign Service v. Midwest Newsreel Theatres*, 119 F.2d 929 (7th Cir. 1941), *appeal dismissed*, 314 U.S. 702 (1941). See Riesenfeld, *The New American Patent Act in the Light of Comparative Law: Part II*, 102 U. PA. L. REV. 723, 753–755 (1954).

¹⁹ E.g., *Crosley Corporation v. Hazeltine Corporation*, 122 F.2d 925 (3d Cir. 1941), *cert. denied*, 315 U.S. 813 (1942).

²⁰ *Crosley Corporation v. Westinghouse Electric & Mfg. Co.*, 130 F.2d 474 (3d Cir. 1942), *cert. denied*, 317 U.S. 681 (1942).

the customer or to bring a separate action against the manufacturer.²¹ The possible variations are numerous.

Court Solutions

There are a number of remedies available. The parties may petition a court to stay proceedings pending the outcome of litigation in another court,²² or they may petition for an injunction to restrain the prosecution of one of the actions.²³ They may also request a transfer under section 1404(a) of the Judicial Code.²⁴ Finally, the action may be dismissed for one²⁵ or more reasons.²⁶ These petitions and motions will often be coupled with motions to intervene, join other parties, amend the complaint or answer, or permit the filing of counterclaims.²⁷

The leading case of *Crosley Corporation v. Hazeltine Corporation*²⁸ laid down the rule that as between successive suits involving the same issues and same parties, the "court which first obtained jurisdiction over the parties and issues had the power to enjoin the further prosecution of proceedings" in a subsequent suit in a different district.²⁹ In the *Crosley* case, action # 1 was brought by the patentee in the Southern District of Ohio, alleging infringement of two patents. Action # 2 was commenced

²¹ *Kerotest Mfg. Co. v. C-O-Two Co.*, 342 U.S. 180 (1952).

²² *CYCLOPEDIA OF FEDERAL PROCEDURE* §§ 28.07-28.12 (3d ed. 1951).

²³ *FED. R. CIV. P.* 65; 7 MOORE, *FEDERAL PRACTICE* 1691 (2d ed. 1952).

²⁴ 28 U.S.C. § 1404(a) (1952). See text at note 44 *infra*.

²⁵ If the action is brought under the Declaratory Judgment Act, 28 U.S.C. § 2201 (1952), the court where that action is pending may be asked to exercise its discretion and dismiss. *Brillhart v. Excess Insurance Co.*, 316 U.S. 491 (1942). See 6 MOORE, *FEDERAL PRACTICE* 3121 (2d ed. 1952).

²⁶ For example, see text at note 68 *infra*.

²⁷ The problems raised by these motions are outside the scope of this article. See note 61 *infra*.

²⁸ 122 F.2d 925 (3d Cir. 1941), *cert. denied* 315 U.S. 813 (1942), noted 16 *TEMP. L.Q.* 98 (1941).

²⁹ This is the rule of *Crosley* as summarized in *Triangle Conduit & Cable Co. v. National Electric Products Corp.*, 125 F.2d 1008, 1009 (3d Cir. 1942), *cert. denied* 316 U.S. 676 (1942).

Although it is difficult to generalize, it may be said that the *Crosley* rule has been followed in multiple litigation cases outside the patent area. *In re Georgia Power Co.*, 89 F.2d 218 (5th Cir. 1937), *cert. denied* 302 U.S. 692 (1937) allowed the defendant to enjoin the prosecution of the second of two suits brought by the plaintiff, on the basis of the first in time, first in right rule. *Accord*: *Culbertson v. Midwestern Uranium Co.*, 132 F. Supp. 678 (D. Utah 1955); *Old Charter Distilling Co. v. Continental Distilling Corp.*, 59 F. Supp. 528 (D. Del. 1945). In *Brooks Transportation Co. v. McCutcheon*, 154 F.2d 841 (D.C. Cir. 1946), a negligence action, plaintiff first brought suit in the district of the District of Columbia, and defendant then sued plaintiff on the same accident in Maryland. The circuit court held that as a matter of comity, as between two federal district courts trying cases involving the same cause of action, the one first in time should be allowed to proceed to judgment. *Accord*, *Food Farm Stores v. Square Deal Market Co.*, 187 F.2d 219 (D.C. Cir. 1950) (involving a trade name dispute). See also *Schopen v. Westwood Pharmacal Corp.*, 11 F.R.D. 555 (W.D.N.Y. 1951).

by the manufacturer against the patentee in the District of Delaware, seeking a declaratory judgment as to the invalidity or non-infringement of twenty additional but separate patents. Action #3 was commenced by the patentee in the Southern District of Ohio against the manufacturer and involved fifteen of the same patents involved in action #2, and was in the form of nine suits alleging infringement. The manufacturer sought to enjoin the patentee from prosecuting action #3 pending the outcome of action #2, commenced by the manufacturer. It was from a denial of this injunction that the manufacturer appealed. In holding that the patentee should be enjoined from prosecuting action #3, the Court of Appeals for the Third Circuit left undisturbed the patentee's right to proceed with action #1, involving different patent rights.

The Third Circuit had occasion to follow the *Crosley* decision in a case decided the next year. In *Triangle Conduit & Cable Co. v. National Electric Products Corp.*,³⁰ action #1 was a declaratory action brought by the manufacturer against the patentee in the District of Delaware. Action #2 was an infringement suit by the patentee in the Eastern District of Michigan against the manufacturer and a customer of the manufacturer who was allegedly infringing by selling articles produced by the manufacturer. The patentee was enjoined from prosecuting action #2 against the manufacturer, leaving the patentee free to maintain his suit against the customer. The reasoning of the court was that the cause of action against the manufacturer was wholly separate from a cause of action against one who resells the infringing product and therefore recovery of judgment against the manufacturer would not bar a suit against a customer who resells.

On remand, the parties in action #2 were severed and the manufacturer then sought to enjoin the patentee from prosecuting his suit against the customer on the ground that a result favorable to the manufacturer in action #1 would be dispositive of the suit against the customer in action #2. The Court of Appeals held that "the duty . . . to enjoin . . . arises only if the controversy in each court involves the same issues and parties,"³¹ and denied the injunction. It should be noted that two recent Court of Appeal cases have departed to some extent from this decision.³²

³⁰ *Triangle Conduit & Cable Co. v. National Electric Products Corp.*, 125 F.2d 1008 (3d Cir. 1942), *cert. denied* 316 U.S. 676 (1942), noted 57 HARV. L. REV. 255 (1943).

³¹ *Triangle Conduit & Cable Co. v. National Electric Products Corp.*, 138 F.2d 46 (3d Cir. 1943), *cert. denied* 320 U.S. 784 (1943), noted 57 HARV. L. REV. 255 (1943. *Accord*, *Advance Transformer Co. v. Bromberg*, 106 F. Supp. 691 (N.D. Ill. 1952).

³² In *Urbain v. Knapp Brothers Manufacturing Co.*, 217 F.2d 810 (6th Cir. 1954), *cert. denied* 349 U.S. 930 (1955), the facts were as follows: action #1 was brought in the Southern District of Ohio by the patentee and exclusive licensee against the manufacturer seeking to enjoin infringement. Action #2 was brought in the Northern District of Illinois by the patentee and exclusive licensee against customers of the manufacturer. The district court enjoined the

While these Third Circuit cases seemingly stood for the proposition that the action first commenced in which the parties and the issues are the same has priority over the latter action,³³ decisions from the same³⁴ and other³⁵ circuits indicated that ordinarily the first suit brought *does* have priority, but that if there is a balance of convenience in favor of the second action, it might have priority.

The Kerotest Decision

The Third Circuit retreated from the position it had apparently taken in *Crosley Corporation v. Hazeltine Corporation* and *Triangle* in its decision in *Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.*,³⁶ decided en banc in 1950. In that case, action # 1 was brought by the patentee against the customer of the manufacturer in the Northern District of Illinois, alleging infringement. Action # 2 was brought by the manufacturer against the patentee in the District of Delaware, seeking a declaration of invalidity or non-infringement of the patents. The patentee then joined the manufacturer in action # 1, and moved the Illinois district court to enjoin the further prosecution of the proceedings in the District of Delaware. The district court's refusal to enjoin the Delaware action, on the ground that

prosecution of action # 2. Held: the district court was within its discretion in enjoining the prosecution of action # 2, in a case such as this where the separate defendants are in privity, and the plaintiffs and the issues are the same. This decision seems to fall within the spirit of the recommendations made by the TNEC, as cited in note, 57 HARV. L. REV. 255-256 (1943), to the effect that the patentee be required to get a judgment against the manufacturer before he may proceed against the customers. See also *Bechik Products v. Flexible Products*, 225 F.2d 603 (2d Cir. 1955). These cases are discussed in note 17, *supra* and in text at note 75, *infra*. The *Triangle* decision was followed by Judge Kaufman in *International Nickel Co. v. Ford Co.*, 108 F. Supp. 833 (S.D.N.Y. 1952) and rejected by him in *Shikler v. Weinstein*, 105 F. Supp. 48 (S.D.N.Y. 1952). These latter cases are explainable on the basis of exercise of judicial discretion. "The determination of this application depends on the answer to the question which jurisdiction can best serve the ends of justice by an expeditious and effective adjudication?" 105 F. Supp. at 49.

³³ One of the earliest cases dealing with the problem of multi-action patent litigation held there was no room for discretion; the first suit with the same parties and same issues had priority. *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, 104 F.2d 589 (7th Cir. 1939).

³⁴ *Crosley Corporation v. Westinghouse Electric & Mfg. Co.*, 130 F.2d 474, 475-476 (3d Cir. 1942), *cert. denied* 317 U.S. 681 (1942), noted 17 TEMP. L.Q. 95 (1942).

³⁵ *Remington Products Corp. v. American Aerovap Inc.*, 192 F.2d 872, 873 (2d Cir. 1951); *Hammet v. Warner Brothers Pictures*, 176 F.2d 145, 150 (2d Cir. 1949) (copyright case); *Cresta Blanca Wine Co. v. Eastern Wine Corporation*, 143 F.2d 1012 (2d Cir. 1944) (trademark case); *Carbide & Carbon Chemicals Corp. v. United States Industrial Chemicals*, 140 F.2d 47, 49 (4th Cir. 1944). In *Speed Products Co. v. Tinnerman Products*, 171 F.2d 727 (D.C. Cir. 1948) (trademark case), the court relied on the Third Circuit cases as authority for the rule that the first suit had priority, no mention being made of balancing conveniences.

³⁶ 189 F.2d 31 (3d Cir. 1951), *affirmed* 342 U.S. 180 (1952), noted 65 HARV. L. REV. 348 (1951). It was suggested in that note at page 349 that the solution to the problem might be that the first suit raising the common issue, *i.e.*, the validity of the patent, in which all the parties can be and eventually are joined, be given priority.

the Delaware action was the first to join both the patentee and the manufacturer, was reversed. In reversing, the Court of Appeals for the Third Circuit stated that

"neither Crosley nor Westinghouse nor Triangle was intended to lay down a rule of thumb As we pointed in *Westinghouse*, the real question is not whether 'another suit' has been 'previously' or 'subsequently' begun between the parties but whether the relief sought can be 'more expeditiously and effectively afforded [in the other suit] than in the declaratory proceeding.'"³⁷

The court then ordered a stay of the Delaware proceedings, leaving the door open for a modification of this order if the "prosecution of the Chicago suit be unreasonably delayed"³⁸

The decision of the Third Circuit was affirmed by the Supreme Court in *Kerotest Mfg. Co. v. CO-O-Two Co.*³⁹ The effect of the decision was limited by the Court itself, when it stated in a footnote that "by endorsing what was in effect an exercise of discretion by the Court of Appeals below upon consideration of the specific circumstances here, we neither approve nor throw doubt upon decisions by it or other Courts of Appeals."⁴⁰ However, the Court made it fairly clear that a rigid rule of first come, first served would not be acceptable, since

"the manufacturer who is charged with infringing a patent does not have a paramount right to choose the forum for trying out questions of infringement and validity. He is given an equal start in the race to the courthouse, not a headstart."⁴¹

The Court further stated that "if the patentee's suit against a customer is brought in a district where the manufacturer cannot be joined, . . . the manufacturer may be permitted to simultaneously prosecute a declaratory action elsewhere."⁴² The implication is that if the manufacturer can be joined in a suit against the customer, as in the principal case, he will not necessarily be permitted to maintain his declaratory action elsewhere even if begun first, as in the principal case.

Kerotest and forum non conveniens

The Court concluded its opinion with the statement that "if the manufacturer is joined as an unwilling defendant in a *forum non conveniens*, he

³⁷ 189 F.2d at 35.

³⁸ *Ibid.*

³⁹ 342 U.S. 180 (1952), opinion by Justice Frankfurter; with Chief Justice Vinson and Justice Black dissenting without opinion. Noted 38 A.B.A.J. 230 (1952); 66 HARV. L. REV. 168 (1952); 38 VA. L. REV. 392 (1952).

⁴⁰ *Id.* at 184-185 n.3. The court noted at 183 that "inasmuch as a question of importance to the conduct of multiple litigation in the federal judicial system was involved, we granted certiorari."

⁴¹ *Id.* at 185.

⁴² *Id.* at 186.

has available upon an appropriate showing the relief provided by § 1404(a) of the Judicial Code.”⁴³ Section 1404(a) provides that “for the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.”⁴⁴

Is the Court's suggestion that section 1404(a) could be used in such a case a practical suggestion? In the *Kerotest* case, for example, suppose the manufacturer returned to the Illinois district court and petitioned for a section 1404(a) transfer to the Delaware district court. Is it likely that the trial court would grant such a request, when the Court of Appeals and the Supreme Court had previously decided that Illinois was the proper forum?⁴⁵

It is submitted that when the trial court considers a motion to stay one proceeding in favor of another, it will go through the same mental process, using the same tests, as it would in considering a motion to transfer under section 1404(a).

What are the factors courts consider in passing on section 1404(a) motions?⁴⁶ In essence, they consider the right of the plaintiff to choose his

⁴³ *Id.* at 186 n.6.

⁴⁴ 28 U.S.C. § 1404(a) (1952).

⁴⁵ It is settled that the order of transfer under section 1404(a) is discretionary with the trial court. *Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955). An order denying or ordering a transfer is interlocutory, not subject to immediate appeal. *In re Josephson*, 218 F.2d 174 (1st Cir. 1954), noted 68 HARV. L. REV. 467-468 (1955); 41 VA. L. REV. 530-533 (1955). It is not entirely clear whether section 1404(a) orders may be reviewed by the use of extraordinary writs, but it is assumed they can be so reviewed *but*, that the trial court's discretion will not be disturbed except in extraordinary situations. In *Norwood v. Kirkpatrick*, 349 U.S. 29, 33 (1955), the Court stated: “Since we find that the district judge properly construed § 1404(a), it is unnecessary to pass upon the question of whether mandamus or prohibition is the proper remedy.” Since the court decided the point on the merits, the necessary inference is that mandamus or prohibition is a proper remedy in a proper case. The question remains, what is a proper case? See Comment, *Review of Section 1040(a) Federal Venue Proceedings by Extraordinary Writ*, 43 CALIF. L. REV. 840 (1956); Kaufman, *Further Observations on Transfers under Section 1404(a)*, 56 COLUM. L. REV. 1 (1956).

⁴⁶ The leading case is *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947), noted 60 HARV. L. REV. 908 (1947). The Court listed the following factors:

As to the private interest of the litigant—(1) relative ease of access to sources of proof; (2) availability of compulsory process for attendance of unwilling witnesses, and cost involved; (3) possibility of view of premises (if appropriate); (4) all other practical problems that make trial of a case easy, expeditious and inexpensive; (5) enforceability of judgment; (6) advantages and obstacles to a fair trial; (7) whether the plaintiff is vexing, harassing or oppressing defendant by inflicting on him expense or trouble not necessary to his own right to pursue his remedy.

As to the interest of the public in general—(1) congestion of court calendars; (2) jury duty imposed on people in a community when that community has no relation to the litigation; (3) holding trial nearest those affected, *i.e.*, nearest the community which has the greatest interest in the litigation.

See annot., 99 L.Ed. 799 (1955).

forum as opposed to any inconveniences that would be caused to the witnesses or to the defendants by retaining the original forum.⁴⁷ They balance conveniences, trying to select the forum that is the least inconvenient to all parties and witnesses.⁴⁸

Prior to *Kerotest*, in a multiple action situation, some courts would have given absolute priority to the first suit brought,⁴⁹ and other courts would have striven to balance conveniences.⁵⁰ But the Court in *Kerotest* rejected "rigid mechanical solutions," leaving the trial court free to weigh the equities and exercise discretion in staying or enjoining the prosecution of one or the other of the actions.⁵¹

What are the limits of the court's discretion in deciding whether to stay or enjoin the prosecution of proceedings? The Third Circuit phrased the test in terms of "whether the relief sought can be 'more expeditiously and effectively afforded [in the other suit] than in the declaratory proceeding.'" ⁵² It noted that the "whole war and all the parties to it are in the Chicago theatre [the forum which it was decided should proceed with the controversy] and there only can it be brought to a finish" ⁵³

The conclusion to stay or enjoin the prosecution of the proceedings will amount to a determination that the forum in which the action was stayed is an inconvenient forum.⁵⁴

⁴⁷ *Wiren v. Laws*, 194 F.2d 873, 875 (D.C. Cir. 1951), relying on *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947).

⁴⁸ *Nicol v. Kocinski*, 188 F.2d 537 (6th Cir. 1951). Under the old common law doctrine, which was rarely applied, to get relief under forum non conveniens the balance of conveniences was required to be strongly in the defendant's favor. *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508-09 (1947). However, the 1955 Supreme Court decision of *Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955), makes it clear that "a lesser showing of inconvenience" is required under section 1404(a), but how much less was a matter left undecided in that case. In any event, the *Norwood* case did not change the relevant factors to be considered; it merely gave the trial courts greater discretion.

⁴⁹ *Speed Products v. Tinnerman*, 171 F.2d 727 (D.C. Cir. 1948); *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, 104 F.2d 589 (7th Cir. 1939).

⁵⁰ Cases cited note 33, and last case cited in note 35, *supra*.

⁵¹ 342 U.S. at 183-84: "The Federal Declaratory Judgments Act, facilitating as it does the initiation of litigation by different parties to many-sided transactions, has created complicated problems for coordinate courts. Wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solutions of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts."

⁵² *Kerotest Mfg. Co. v. C-O-Two Co.*, 189 F.2d 31, 35 (3d Cir. 1951), *aff'd* 342 U.S. 180 (1952).

⁵³ *Id.* at 34, quoted in the Supreme Court affirming opinion, 342 U.S. at 183.

⁵⁴ *Seaboard Surety Co. v. Texas City Refining*, 109 F. Supp. 468, 470 (D. Del. 1952): "While I have declined to transfer the action to Maryland [under section 1404(a)], yet those same statutory reasons justifying a transfer under [section 1404(a)], viz., 'convenience of parties and witnesses, in the interest of justice,' may be effectively considered in connection

In the *Kerotest* case, for example, one factor that was important to the court was that the customer, the defendant in the Illinois action, could not have been made a party to the action in Delaware.⁵⁵ This being the case, a transfer under section 1404(a) would not have been possible, absent a waiver on the part of the customer,⁵⁶ since the action must be transferred to "a district or division where the action might have been brought."⁵⁷

In short, as a practical matter it will not do a party much good to seek a section 1404(a) transfer, at least to the forum in which one of the actions was stayed, after the court decides to stay the proceedings in that forum. If the party seeks to obtain a transfer to still another district, such motion may meet with more success, although the factors that persuaded the court to prefer one district over another by staying or enjoining the prosecution of a proceeding will undoubtedly be influential in its consideration of the request to transfer to still another district. Of course, if a court were inclined to stay a proceeding it might find it desirable to transfer it instead, assuming it could be so transferred, under section 1404(a).

Cases Subsequent to Kerotest

How have the cases since *Kerotest* dealt with the multiple litigation problem? Has section 1404(a) been used in these cases?

with a stay." *Ronson Art. Metal Works v. Brown & Bigelow*, 105 F. Supp. 169 (S.D.N.Y. 1952), *aff'd per curiam without opinion* 199 F.2d 760 (2d Cir. 1952): "The issue is one of balance of convenience and its disposition may be said to turn upon those same factors which warrant the denial or a grant of application made on the ground of forum non conveniens under [section] 1404(a). There are no absolute and unyielding standards which govern its disposition. The various elements present in each case, including the interests of the litigants and public factors relating to prompt and efficient administration of justice [note the reference to the forum non conveniens case of *Gulf Oil Corp. v. Gilbert*, discussed in note 35, *supra*] must each be given their due weight [citing *Gulf Oil* and *Kerotest*]."

It should be noted that a stay is an interlocutory order, not immediately appealable. The same is true with a forum non conveniens order. On the other hand, the grant or denial of an interlocutory injunction is immediately appealable. *International Nickel Co. v. Martin J. Barry, Inc.*, 204 F.2d 583 (4th Cir. 1953). This should not materially affect the standards to be used with respect to a stay as compared with the standards to be used in granting or denying an injunction. The tests should be the same.

⁵⁵ This, coupled with the fact that all the parties to the suit were in the Northern District of Illinois and subject to process there, were the "equities" on which the court based its decision. The court took note of Rule 15(c), Federal Rules of Civil Procedure, which purports to relate joinder back to the original filing of the complaint, but did not decide the case on this basis. The validity of the argument that Rule 15(c) would apply in this situation was questioned in *Ronson Art Metal Works v. Brown and Bigelow*, 105 F. Supp. 169, 173 n.4 (S.D. N.Y. 1952), *aff'd per curiam without opinion* 199 F.2d 760 (2d Cir. 1952). In 3 MOORE, FEDERAL PRACTICE ¶ 15.15 (2d ed. 1952) (pocket supp. p. 54, 1955) the opinion is expressed that joinder of a new party defendant does not relate back.

⁵⁶ See Barrett, *Venue and Service of Process in the Federal Courts—Suggestions for Reform*, 7 VAND. L. REV. 607, 613-15 (1954); Kaufman, *Further Observations on Transfers under Section 1404(a)*, 56 COLUM. L. REV. 1, 13-17 (1956).

⁵⁷ 28 U.S.C. § 1404(a) (1952).

The first case decided after *Kerotest* was *Helene Curtis Industries v. Sales Affiliates*.⁵⁸ In action # 1, the manufacturer brought suit against the patentee in the Southern District of New York for declaratory relief. Action # 2 was in reality six infringement suits against ten customers of the manufacturer in different parts of the country, brought by the patentee. Of these six suits, only the two suits brought in Texas were in issue. The court, citing *Kerotest*, stated that

"the matters should be disposed of once and for all in one adjudication and New York is the normal and convenient place where that should be had. It is not only the venue of the earliest suits and the situs of defendants incorporation and principal office, it is also the locality of most of the technical and important witnesses, including the purported inventor and thus the place where the problems involving prior art can be most easily and directly investigated. All the alleged infringers sued in Texas have now been permitted to intervene here; and the federal court in Texas, after the grant of the injunction in the court below, has transferred the cases to this court under [section] 1404(a). Finally, adjudication of the patent . . . can be secured in New York and cannot be secured in Texas."⁵⁹

The case seems notable mainly for its demonstration of the advantages of a liberal use of the federal intervention rules⁶⁰ as a means of "conservation of judicial resources and comprehensive disposition of litigation."⁶¹ The case seems orthodox in its approach to the problem of multiple litigation. It is to be noted that the Texas court ordered the section 1404(a) transfer only after the patentee had been enjoined from prosecuting the Texas actions, and after the defendants to the Texas action had intervened in the New York action.⁶²

Three recent district court cases involved multiple patent litigation in

⁵⁸ 199 F.2d 732 (2d Cir. 1952).

⁵⁹ *Id.* at 733. In the district court, the patentee was accused of "forum shopping with a vengeance." 105 F. Supp. 886, 902 (S.D.N.Y. 1952).

⁶⁰ FED. R. CIV. P. 24. See 4 MOORE, FEDERAL PRACTICE ¶¶ 24.01-24.20 (2d ed. 1950). For examples of some of the problems that may arise as to intervention, see *Yale & Towne Mfg. Co. v. Manning, Maxwell & Moore*, 91 F. Supp. 106 (S.D.N.Y. 1950), and *Finck v. Gilman Brothers Co.*, 11 F.R.D. 198 (D. Conn. 1951).

⁶¹ The phrase is used in *Kerotest Mfg. Co. v. C-O-Two Co.*, 342 U.S. 180 (1952). See note 52, *supra*, for full text of the quotation. The case of *Cold Metal Products Co. v. Crucible Steel Co.*, 126 F. Supp. 546 (D.N.J. 1954) is a good example of how the permissive counterclaim procedure can be utilized to accomplish the same ends. That case enjoined prosecution of an infringement action in favor of a prior action for royalties under a license, permitting a counterclaim putting in issue the validity of the patent to be filed in the royalty action.

⁶² Other cases have not been as liberal in staying an action and permitting the parties to that action to intervene in the action not stayed. *International Nickel Co. v. Ford Motor Co.*, 108 F. Supp. 833 (S.D.N.Y. 1952); *Cresta Blanca Wine Co. v. Eastern Wine Corporation*, 143 F.2d 1012 (2d Cir. 1944). See *Riesenfeld, The New American Patent Act in the Light of Comparative Law: Part II*, 102 U. PA. L. REV. 723, 754 at n.221 (1955).

which section 1404(a) transfers were requested. In the first case,⁶³ the court was asked to transfer, or in the alternative, stay an infringement action in favor of a declaratory suit brought by the manufacturer involving the same patent rights in another district.⁶⁴ The court held that since the other suit had been started ten months earlier, it should be a matter of "comity between courts" refuse to hear the case.⁶⁵ To avoid piecemeal litigation, it transferred the case to the district where the declaratory action was pending at the time the infringement suit had been initiated.⁶⁶

In the second case,⁶⁷ the court in the action first brought by a licensee against a manufacturer, noting the absence of an indispensable party (the patentee),⁶⁸ refused to dismiss⁶⁹ and transferred the cause under section 1404(a) to another district in which an action involving all the parties was pending.

In the third case,⁷⁰ almost the same factual situation was involved as in the case just discussed. Noting the fact that the declaratory action brought by the manufacturer lacked an indispensable party (the patentee), and

⁶³ *Minnesota Mining & Manufacturing Co. v. Technical Tape Corp.*, 123 F. Supp. 497 (N.D. Ill. 1954).

⁶⁴ For an early indication of the race to the courthouse involved in this action, see *Technical Tape Corp. v. Minnesota Mining & Manufacturing Co.*, 200 F.2d 876, Judge Clark concurring at 879 (2d Cir. 1952).

⁶⁵ *Minnesota Mining & Manufacturing Co. v. Technical Tape Corp.*, 123 F. Supp. 497, 499 (N.D. Ill. 1954).

⁶⁶ The court noted that while some of the parties to the infringement action were not parties to the declaratory action, those parties had stipulated to abide by the judgment in the declaratory action, and that this stipulation was equivalent to joinder in the declaratory action. *Ibid.*

⁶⁷ *Caldwell Manufacturing Co. v. Unique Balance Company*, 18 F.R.D. 258 (S.D.N.Y. 1955). Action # 1 was a suit by the manufacturer against the licensee for declaratory relief in the Southern District of New York. Action # 2 was an action brought in the Western District of New York by the patentee and licensee against the manufacturer alleging infringement.

⁶⁸ The question of whether a manufacturer seeking declaratory relief can maintain his action against the licensee without joining the patentee is still in doubt, which probably explains in part the disposition of the case. See Riesenfeld, *The New American Patent Act in the Light of Comparative Law: Part II*, 102 U. PA. L. REV. 723, 753-54 (1954). See also *Hook v. Hook & Ackerman*, 89 F. Supp. 238 (E.D. Pa. 1950), noted 19 GEO. WASH. L. REV. 357 (1950), *rev'd* 187 F.2d 52 (3d Cir. 1951). For an interesting chronological summary of the litigation in the *Hook* case, see *Hook v. Hook & Ackerman*, 213 F.2d 122, 130-31 (3d Cir. 1954).

⁶⁹ "This court has the power to dismiss this action on either of two grounds. It may dismiss under Rule 12(b) because the failure to join an indispensable party is a full and complete defense. It may dismiss under the Declaratory Judgment Act, because the Court has the discretion to refuse to exercise jurisdiction where exists substantial doubt whether the declaratory judgment proceeding would terminate the uncertainty or controversy giving rise to the proceeding." *Caldwell Manufacturing Co. v. Unique Balance Company*, 18 F.R.D. 258, 265 (S.D. N.Y. 1955).

⁷⁰ *Technical Tape Corp. v. Minnesota Mining & Manufacturing Co.*, 135 F. Supp. 505 (S.D.N.Y. 1955). This case apparently involved a different patent than that involved in the case cited in notes 64, 65, and 66, *supra*. See 18 F.R.D. 318 (S.D.N.Y. 1955).

that another prior action was pending between the patentee and the manufacturer, the court dismissed.⁷¹ This seems to be a sounder approach to the problem involved.

The cases since *Kerotest* do not indicate that the suggested use of section 1404(a) was particularly helpful. However, *Kerotest* is having a definite impact in its seeming equation of the rules as to stay of proceedings or injunctions against the prosecution of proceedings with the forum non conveniens tests.⁷² Although it might be contended that *Kerotest* is limited to the question of the uses of judicial discretion in permitting a declaratory action to be maintained,⁷³ it is not likely that the *Kerotest* decision will not be so limited.

In the Sixth Circuit case of *Urbain v. Knapp Brothers Manufacturing Co.*,⁷⁴ for instance, the court took what could be an important step forward. Action # 1 was brought by the patentee and exclusive licensee in the Southern District of Ohio against the manufacturer. Action # 2 was also brought by the patentee and exclusive licensee against a distributor of the manufacturer in the Western District of Illinois. The court noted that the same issues and the same parties *plaintiff* were involved in both suits and that the parties defendant, while not the same, were in *privity*.⁷⁵ It therefore granted an injunction against the prosecution of action # 2. Note that this is clearly a departure, although distinguishable on the facts, from the judicial attitude expressed in *Triangle Cable & Conduit Corp. v. National Electric Products Corp.*⁷⁶ The spirit of the *Urbain* case was adhered to in the Second Circuit case of *Bechik Products v. Flexible Products*.⁷⁷

Conclusion

The *Kerotest* case introduced a desirable element of discretion into the

⁷¹ The dismissal was either on the ground that an indispensable party was not joined or under the discretion afforded by the Declaratory Judgment Act. *Technical Tape Corp. v. Minnesota Mining & Manufacturing Co.*, 135 F. Supp. 505, 508 (S.D.N.Y. 1955).

⁷² See text following note 54, *supra*.

⁷³ See, e.g., *Gurley v. Life and Casualty Insurance Company*, 132 F. Supp. 287, 289 (D. D.C. 1956); *International Nickel Co. v. Ford Motor Co.*, 108 F. Supp. 832 (S.D.N.Y. 1952); *Hook v. Hook & Ackerman*, 103 F. Supp. 790 (W.D. Pa. 1952), *aff'd* 201 F.2d 512 (3d Cir. 1953).

⁷⁴ 217 F.2d 810 (6th Cir. 1954), *cert. denied* 349 U.S. 930 (1955). See note 32, *supra*.

⁷⁵ The privity consisted of an indemnity agreement between the manufacturer and the distributor, by which the manufacturer agreed to defend action # 2 and be responsible for all damages awarded in that action. *Id.* at 814, 815. There was a dissent, in which the fact of privity, but not the theory, was questioned. *Id.*, Judge Miller dissenting at 817.

⁷⁶ 138 F.2d 46 (3d Cir. 1943), *cert. denied* 320 U.S. 784 (1943), discussed in the text at note 31, *supra*. A contrary result was reached in *International Nickel Co. v. Ford Motor Co.*, 108 F. Supp. 832 (S.D.N.Y. 1952), Judge Kaufman distinguishing *Kerotest* and relying on *Triangle*.

⁷⁷ 225 F.2d 603 (2d Cir. 1955). See notes 17. and 32, *supra*.

the handling of problems arising from multiple patent litigation.⁷⁸ The abandonment of the old rigid doctrine that the first suit involving the same issues and parties had priority seems sensible. The courts are apparently now free to apply forum non conveniens tests in deciding whether to stay, dismiss, or enjoin the prosecution of proceedings. While the previous rule had the merit of predictability, the present rule seems more apt to achieve a proper balance of the convenience of parties, witnesses and the various federal courts, in the interest of justice, especially if a liberal use of the joinder and intervention rules is made.

⁷⁸ Furthermore, there is some indication that the *Kerotest* decision will be relied on to reach comparable results in multiple litigation cases involving rights other than patent rights. *Culbertson v. Midwestern Uranium Co.*, 132 F. Supp. 678 (D. Utah 1955). This would seem to be desirable, although the argument that the rule of first in time, first in right should prevail is strong in cases where both suits were brought by the plaintiff. For citation of cases involving multiple litigation outside the patent area, see note 29 *supra*.